

HOUSE SUMMARY OF SENATE AMENDMENTS

House Bill No. 898 by Representative Henry

TAX CREDITS: Provides relative to the maximum amount of the tax credit for state certified productions and repeals the phase-down of such tax credits and provides relative to license taxes paid by insurers for investment in certain qualifying Louisiana investments

Synopsis of Senate Amendments	
1.	Increases the permanent tax credit for state-certified productions <u>from</u> 25% <u>to</u> 30%.
2.	Reduces the Louisiana payroll credit <u>from</u> 10% <u>to</u> 5%.
3.	Increases the tax credit which may be transferred to the office of entertainment industry development within DED to 85% of the face value of the credits for projects certified on and after July 1, 2009.
4.	Requires a tax credit recipient to submit a notarized statement agreeing to pay its debts, give notice of the need to file claims, and to delay filing a claim for the production tax credits until the office of entertainment industry development delivers written notification to DOR that the production company has fulfilled all requirements for the credit.
5.	Changes the definition of "expended in the state".
6.	Adds provisions relative to license taxes paid by insurers for investment in certain qualifying Louisiana investments.
7.	Adds requirement that an insurer show at the end of each fiscal quarter that its assets were invested in qualified Louisiana investments.
8.	Adds provision that the amount of tax credit granted to an insurer shall be the average of the percentage of qualifying Louisiana Securities held at the end of each fiscal quarter for the fiscal year.
9.	Adds provision that in order to qualify as a "qualifying Louisiana investment" certificates of deposit must be issued in Louisiana and cash on deposit must be in an account in Louisiana.

Digest of Bill as Finally Passed by Senate

Present law authorizes a tax credit against state income tax for La. taxpayers for state-certified productions and state-certified infrastructure projects earned by investors at the time expenditures are made by a motion picture production company. The tax credit is calculated as a percentage of the total base investment dollars certified per project.

Present law grants a transferable income tax credit for state-certified movie productions approved on or after January 1, 2006, but before July 1, 2010 of 25% of the "base investment" if the base investment is greater than \$300,000. The percentage is reduced to 20% for state-certified productions approved on or after July 1, 2010, but before July 1, 2012. After July 1, 2012, the percentage is 15%.

Proposed law deletes the phase-down and increases the production credit to 30% for all state-certified productions approved after July 1, 2009.

Present law also grants an additional 10% tax credit to the extent that base investment is expended on payroll for Louisiana residents employed with a state-certified productions.

Proposed law reduces the tax credit from 10% to 5% for base investment expended on payroll for Louisiana residents employed in connection with all state-certified productions.

Proposed law defines a base investment as a cash or cash equivalent investment made and used for production expenditures in the state for a state-certified production. Further provides that payroll means all salary, wages, and other compensation, including benefits paid to an employee for services relating to a state-certified production and is taxable in this state. However, "payroll" excludes any portion of an individual salary in excess of \$1 million.

Present law provided for motion picture investor tax credits associated with a state-certified infrastructure projects beginning July 1, 2005, and ending on Jan. 1, 2009.

Proposed law deletes present law.

Present law provides for the transferability of tax credits by selling the credit to another La. taxpayer or transferring the credit to the office of entertainment industry development within the Dept. of Economic Development. Further provides the following formula to determine the credit amount:

1. Beginning on and after Jan. 1, 2007, the tax credit may be transferred for 72% of the face value of the credit.
2. Beginning on Jan. 1, 2009 and every second year thereafter, the face value of the tax credit shall increase 2% until the tax credit reaches 80% of its face value.

Proposed law increases the tax credit transferred to the office to 85% of the face value of the credits for projects certified on and after July 1, 2009.

Present law provides for the certification and administration of the motion picture investor tax credit.

Proposed law further provides prior to any final certification of a state-certified production or infrastructure project, the motion picture production company or infrastructure project applicant shall submit to the office a notarized statement demonstrating conformity, and agreeing to, the following:

- (1) To pay all undisputed legal obligations the film production company has incurred in Louisiana.
- (2) To publish, at completion of principal photography, a notice at least once a week for three consecutive weeks in local newspapers in regions where filming has taken place in order to notify the public of the need to file creditor claims against the film production company by a specified date.
- (3) That the outstanding obligations are not waived should a creditor fail to file by the specified date.
- (4) To delay filing a claim for the film production tax credit until the office delivers written notification to the secretary of the Dept. of Revenue that the film production company has fulfilled all requirements for the credit.

Present law requires the promulgation of rules to determine an appeals process in the event that an application for, or the certification of, a motion picture investor tax credit is denied. Requires the rules to be approved by the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs "prior to adoption."

Proposed law retains present law but requires that the rules be approved by the committees in accordance with the APA.

Present law provides for the application which must be submitted for initial certification of a motion picture investor tax credit.

Proposed law retains present law but requires that prior to final certification of the state-certified production, the motion picture production company shall submit an audit of the production expenditures certified by an independent certified public accountant. Requires the office and the secretary to review the audit, the production expense details, and to require additional information needed to make a determination.

Proposed law provides that as a condition for receiving certification of tax credits under proposed law, state-certified productions may be required to display an animated state brand or logo, or both, which includes a fleur de lis as prescribed by the Dept. of Economic Development as long as the animated state brand or logo is not contrary to any rules or regulations of the Federal Communications Commission.

Present law provides for the recapture and recovery of credits.

Proposed law retains present law.

Present law relative to the license payable by an insurer, requires a reduction in the amount of the license payable if the payer files a sworn statement showing that as of Dec. 31st of the reporting period that certain admitted assets of the insurer were invested in qualifying Louisiana investments.

Proposed law requires that the insurer show at the end of each fiscal quarter that it was invested in qualified Louisiana investments. Provides the amount of tax credit granted shall be the average of the percentage of qualifying Louisiana Securities held at the end of each fiscal quarter for the fiscal year.

Proposed law requires that to qualify as a "qualifying Louisiana investment," certificates of deposit must be issued in Louisiana and cash on deposit must be in an account in Louisiana.

The insurance provisions of proposed law shall be effective Jan. 1, 2010.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends 22:832(A) and (C)(1) and (7)); R.S. 47:6007)